

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 AID-20 ABF-01 OMB-01 TRSE-00 IGA-02

EUR-25 EB-11 PM-07 NSC-10 SPC-03 SS-20 RSC-01 L-03

CIAE-00 INR-10 NSAE-00 DODE-00 DRC-01 /130 W

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R 141246Z JAN 74

FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC 4538

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FOR STATE/AID

E.O. 11652: N/A

TAGS: EFIN, CB

SUBJECT: REPORT ON ESF WORKING GROUP MEETINGS

1. FOLLOWING ARE SUMMARIES OF THE DECEMBER 27 1973 SPECIAL MEETING OF THE ESF WORKING GROUP AND THE JANUARY 9, 1974 REGULAR MEETING:

A. DECEMBER 27TH MEETING:

(1) THE PURPOSE OF THE SPECIAL MEETING WAS TO AFFORD PARTICIPANTS THE OPPORTUNITY TO STATE THEIR GOVERNMENT'S INTENTIONS REGARDING THEIR 1974 CONTRIBUTIONS, THE TIMING OF CONTRIBUTIONS, AND AGREEMENT ON USING ANY CARRYOVER FUNDS FROM 1973. THE AUSTRALIAN REPRESENTATIVE CHAIRED THE MEETING, WHICH WAS ALSO THE LAST MEETING IN WHICH AUSTRALIA WOULD PARTICIPATE IN THE ESF.

(2) THE MANAGER OF THE ESF ANNOUNCED THAT HIS LATEST ESTIMATE ON CARRYOVER INTO 1974 WAS \$400,000 WHICH WOULD INCLUDE THE 1973 THAI CONTRIBUTION OF \$250,000 IF MADE.

(3) THE FOLLOWING WERE THE POSITIONS OF THE CONTRIBUTING COUNTRIES:

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A. GREAT BRITAIN: 200,000 POUND CONTRIBUTION TO BE MADE

NOT BEFORE APRIL. AGREED TO USE OF CARRYOVER.

B. MALAYSIA: \$10,000 CONTRIBUTION BUT NO INDICATION AS TO TIMING OF PAYMENT. AGREED TO USE OF CARRYOVER.

C. NEW ZEALAND: NOT REPRESENTED AT THE MEETING AND NO INFORMATION COMMUNICATED FROM THE NEW ZEALAND EMBASSY IN SAIGON REGARDING PARTICIPATION IN THE 1974 ESF.

D. THAILAND: \$250,000 CONTRIBUTION WITH NO INDICATION AS TO TIMING OF CONTRIBUTION. AGREED TO USE OF CARRYOVER. THE THAI REPRESENTATIVE HAD NO INFORMATION AS TO WHEN THE 1973 CONTRIBUTION WOULD BE MADE. THE ESF MANAGER AND THE IMF ADVISOR REGISTERED GREAT CONCERN OVER THAILAND'S LACK OF RESPONSIVENESS TO THE ESF'S URGENT 1973 NEEDS AS WELL AS THE REQUIREMENT FOR CARRYOVER FUNDS.

E. KHMER REPUBLIC: ANNOUNCED A \$2 MILLION CONTRIBUTION EARLY IN JANUARY. AGREED TO USE OF CARRYOVER.

F. JAPAN: NOT REPRESENTED AT MEETING BUT COMMUNICATED ITS INTENTION TO MAKE AN UNDETERMINED CONTRIBUTION AFTER APRIL 1974. AGREED TO USE OF ANY CARRYOVER.

G. UNITED STATES: WE RESTATED THE U.S. POSITION TO CONTRIBUTE UP TO \$17.5 MILLION ON A MATCHING BASIS AND THAT DEPENDING ON AVAILABILITY OF FUNDS, WE WOULD MATCH THE GKR'S CONTRIBUTION AS SOON AS POSSIBLE. WE HAD NO OBJECTION TO UTILIZING CARRYOVER.

(4) THE IMF ADVISOR TO THE GFE STRESSED THE NEED FOR EARLY CONTRIBUTIONS FROM DONORS IF THE ESF WAS TO HAVE SUFFICIENT OPERATING FUNDS (HE CONFIRMED PRIVATELY AFTER THE MEETING THAT THE 3.5 MILLION IN SDR'S HAD BEEN APPROVED BY THE IMF AND THAT THE CONVERSION TO \$4.2 MILLION HAD BEEN MADE AND WAS ON DEPOSIT).

B. REGULAR MEETING JANUARY 9, 1974;

(1) THE FIRST MEETING OF THE NEW YEAR AND OF THE 1974 LIMITED OFFICIAL USE

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ESF WAS CHAIRED BY THE KHMER REPRESENTATIVE. THE MANAGER REVIEWED THE DECEMBER AND YEAR-END REPORTS WHICH WILL BE TRANSMITTED BY POUCH.

(2) THE CARRYOVER FROM 1973 TO 1974 WAS REPORTED AT \$415,944 WHICH INCLUDES THE \$250,000 THAI CONTRIBUTION. HOWEVER THE THAI DEPOSIT HAS NOT YET BEEN CONFIRMED.

(3) RECEIPTS DURING THE YEAR INCLUDED ALMOST \$72,000 INTEREST ON INVESTMENTS. THIS IS INTEREST EARNED ON SHORT-TERM PURCHASES OF DEPOSIT CERTIFICATES AND BANK ACCEPTANCES. THIS WAS THE FIRST TIME MEMBERS HERE APPRISED OF THIS PRACTICE OF INVESTING AVAILABLE FUNDS. THE INCOME WAS USED AS FOLLOWS:

A. SOLD TO BNC	\$16,500	
B. ADMINISTRATIVE EXPENSES 1972	2,718	
C. ADMINISTRATIVE EXPENSES 1973	12,681	
D. CARRY-IN TO 1974	39,900	

TOTAL	\$71,799	

(4) THE MANAGER ANNOUNCED THAT THE AUDITORS WOULD ARRIVE ON OR ABOUT JANUARY 14 TO VERIFY ACCOUNTS. FYI: WE HAVE SUBSEQUENTLY REQUESTED IN WAITING THAT THE AUDITORS EXAMINE ALL ASPECTS OF THE INVESTMENTS. END FYI.

(5) OF THE TOTAL OF \$35.58 MILLION AVAILABLE IN 1973 FOR FINANCING OF IMPORTS AND SERVICES, THE PRINCIPAL COUNTRIES OF ORIGIN WERE: FRANCE - \$7.45 MILLION; U.S. - \$7.09 MILLION (OF WHICH \$6.8 MILLION WAS FOR PL 480 FREIGHT); JAPAN - \$6.85 MILLION; AND GREAT BRITAIN \$3.01 MILLION.

(6) MAJOR CATEGORIES OF GOODS FINANCED WERE: FOOD-STUFFS - \$9.85 MILLION; RAW MATERIALS FOR MANUFACTURING - \$4.7 MILLION; VEHICLES, MOTORCYCLES AND SPARE PARTS, - \$4.45 MILLION; PHARMACEUTICAL PRODUCTS AND APPLIANCES - \$5.42 MILLION. AT

OUR REQUEST THE MANAGER WILL PRESENT A SPECIAL REPORT ON VEHICLES, MOTORCYCLES AND SPARE PARTS AND ALSO REPORT ON SOCIETE GENERAL DE SURVEILLANCE END-USE COVERAGE AND FINDINGS. LIMITED OFFICIAL USE

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(7) THE KHMER REPRESENTATIVE ANNOUNCED HIS COUNTRY'S INITIAL DEPOSIT OF \$2 MILLION HAD BEEN MADE ON JANUARY 8. NEW ZEALAND WAS NOT REPRESENTED NOR WAS THERE ANY COMMUNICATION FROM ITS EMBASSY IN SAIGON AS TO ITS PARTICIPATION IN 1974. ENDERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, FINANCIAL CONTRIBUTIONS, COMMITTEE MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PHNOM00606
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: PHNOM PENH
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740143/aaaabovx.tel
Line Count: 160
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 11 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 JUL 2002 by cunninfx>; APPROVED <03-Sep-2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REPORT ON ESF WORKING GROUP MEETINGS
TAGS: EFIN, CB, ESF
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005